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TAGS: [MNUC](#) [ECON](#) [KNNP](#) [IR](#) [GR](#) [KTFN](#) [EFIN](#)

SUBJECT: EEB DAS HENGEL DISCUSSES BANK SADERAT AND NEW
AML/TF LAW WITH BANK OF GREECE

REF: A. ATHENS 819
[B. ATHENS 1109](#)

Classified By:

Classified By: Deputy Chief of Mission Deborah McCarthy for 1.4 (b) and
(d)

Summary

[11.](#) (C) During a meeting with EEB DAS for Energy, Sanctions and Commodities Doug Hengel on October, 14, Bank of Greece Director of Bank Supervision Panagiotis Kyriakopoulos outlined the measures the Bank of Greece is taking against Iranian Bank Saderat. Kyriakopoulos indicated that while the Bank of Greece is actively monitoring Bank Saderat's activities in Greece, most are letters of credit that involve transactions originating and ending in entities outside of Greece. This makes it difficult to verify if the items listed in the transaction recordQQ% !!!QQ!Q! @! !\$o emphasized that suspens!"! Q! (QQQ\$Q!QQQ !!tivities in Greece woQQQ Q!QQQQ! Q\$!QQQ!\$!!Qaon by the MFA in the ! "Q% ! ! QQQ(!QQQQ!Qch of Greek banking laQ !Q\$QQ Q\$ Q Q(!"Q Finally, Kyriakopoulos sh!Q\$\$ (QQ Q!!Q "QO @Q%ece,s new anti-money laund%Q)Q QQQQ!Q)QQ) Q!"le law, which he thinks)Q QQQQQ !!QQ ! Q!%Q"ut will require poliQ(! QQQ\$ Q !!Q Q\$!"Q End Summary.

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[12.](#) (C) Kyriakopoulos Q% !QQ\$Q "Q DAQ QQ"!% and DepEconCouns steQQQ(% QQ! QQAQ%QQ Q@() has taken to monitor QQ%QQQQ!QQQ!QO" BQQQ Qader scrutinize all Bank Saderat transactions over 50,000 euros (see reflets). As previously reported, BG staff has found nothing questionable in either operation and has judged Bank Saderat to be in compliance with Greek laws and regulations. In addition, BG currently is mandating that Bank Saderat provide daily reports and paperwork on all of its transactions to BG examiners. Kyriakopoulos warned again, however, that there are limits to the effectiveness of these actions for two reasons. First, the majority of the transactions are export letters of credit from countries like China and UAE, as well as some European countries. He emphasized that it is therefore important to make sure that countries in which transactions are based (i.e. goods bought or sold) also vigorously monitor transactions to ensure that the listed goods are actually the ones being bought and sold. To this end, the BG representative to the EU on terror finance issues is trying to help develop an information sharing process among EU countries in situations like this. Second, BG staff often is not able to decipher the products listed in the transaction reports.

¶3. (C) In response to DAS Hengel,s question on why Bank Saderat chooses to run these transactions through its Greek branch, particularly when many of the transactions originate or end in UAE or China, Kyriakopoulos stated he is not sure whether it is lower fees and costs or some other reason. He added that one factor could be pressure from the U.S. and the international community that has squeezed the Bank,s operations in Europe. Kyriakopoulos and a member of his staff indicated that they have seen a decrease in Bank Saderat transactions in recent months. While he is not sure the intense scrutiny paid to Bank Saderat by BG is the cause, Kyriakopoulos believes that this attention has forced the Bank to be very careful and ensure that all of its transactions are within acceptable Greek banking practices. When asked what kind of breach the BG would need to see before it took stronger action against the Bank or closed it, Kyriakopoulos responded that the BG is monitoring its activities, but it is not considering closing it. Short of an MFA decision to take action against the Bank, which is highly unlikely, BG staff would have to find an egregious violation of Greek banking laws and regulations.

The New AML/TF Law: The Proof will be in Implementation!

¶4. (C) Kyriakopoulos told his U.S. interlocutors that he thinks the new law is very good and a sign that the Ministry of Finance acted to mitigate the damage to Greece,s reputation resulting from its poor showing in the June 2007

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Financial Action Task Force (FATF) report. He noted it is incumbent, however, upon the GoG to make sure the law is implemented well. In his opinion, the new law has already brought about improvements at the FIU, both through a change in leadership as well as new and better trained staff. BG continues to adopt recommendations made in the FATF report, including encouraging banks to introduce new IT systems and to create risk management units charged with monitoring, among other things, bank compliance with Greek AML/TF legal provisions.

Comment

¶5. (C) Greece,s central bank appears to be seriously monitoring Bank Saderat,s activities in Greece, but will not take stronger action against the Bank absent a serious breech of Greek banking laws. Bank Saderat may be feeling the heat of the BG,s increased scrutiny and adjusting its activities through its Greek branch, however. Closer cooperation with other countries in Europe and elsewhere in which Bank Saderat export credits originate and end is required to ensure the Greek branch is not facilitating terrorism or proliferation-related activities in circumvention of UNSCRs 1737, 1747, and 1803. While BG employees are experts in the world of bank supervision, they have no comparative advantage in the area of proliferation and have asked for Embassy assistance to decipher technical product jargon used in Bank Saderat,s transactions. The Embassy will continue to work with BG staff closely on this issue and may solicit assistance from the Department. End Comment.

SPECKHARD